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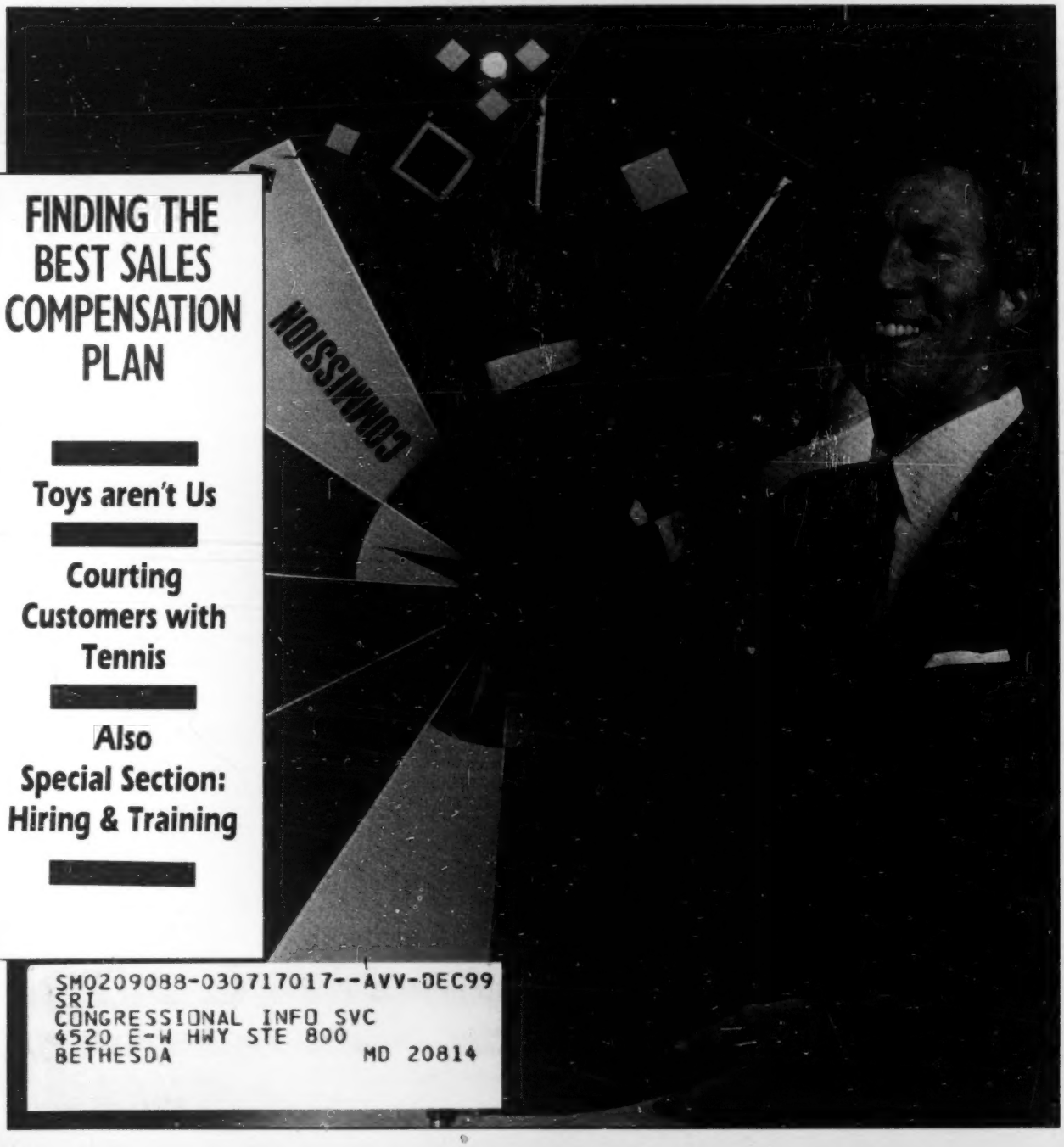

FINDING THE BEST SALES COMPENSATION PLAN

Toys aren't Us

Courting Customers with Tennis

Also Special Section: Hiring & Training

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Sales and Marketing MANAGEMENT

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Is your compensation plan simply a game of chance? A new survey from A.S. Hansen, Inc., examines the use of incentive caps, targets/quotas, cash compensation, and team vs. individual sales as they relate to a number of industries. Page 46.

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Rustbelt revival

A year ago they were just rumors. Some even called it wishful thinking. But, as some say, it only takes two to make a trend, and at this point it's safe to say the trend has finally arrived.

Ask the people in Pittsburgh, Cleveland, Chicago, Detroit, or Milwaukee about it, and they'll give you the word. The Rustbelt is back and the renaissance in America's Industrial Heartland is beginning as inter-city decay has pretty much been battled to a standstill. Now even the statistics are starting to look good.

After more than a decade of declining populations, business closings, and skyrocketing unemployment, the part of the U.S. once called Smokestack America is poised for a comeback of major proportions. Of course, economists will tell you it was a matter of time, the end of one cycle and the beginning of another. But if you ask the people, they'll tell you about hard work, pride, and perseverence. Sounds corny, but who knows?

Clevelanders will talk about their recent selection as the site of the Rock 'n' Roll Hall of Fame, the fact that the Indians are finally winning some baseball games, or about the rebirth of the city's industrial flats, now a showplace of riverfront condos, shops, and nightclubs. The story is much the same elsewhere, but the fact of the matter is, there is light at the end of the tunnel for the first time in a long, long time.

The Great Lakes Commission, a collection of banks, departments of commerce and development, and academic institutions, has recently published a volume of statistics entitled *The Great Lakes Economy: A Resource and Industry Profile of the Great Lakes States*. A review of the data contained in this document tends to support the authors' view that "the widely held image of the Great Lakes region as a dying economic area is far from accurate." A few of the more interesting statistics contained in the report help to make the point:

- The Great Lakes region represents just one-sixth of the land area of the continental U.S., yet it contains one-third of the total U.S. population and labor force.
- Despite the recent downturn in basic manufacturing, this region still accounts for 70% of raw steel production, 68% of motor vehicle manufacturing, 66% of metalworking machinery, and 56% of all machine-tool establishments in the U.S.
- In terms of spending power, Great Lakes states collectively account for 33% ($980 billion) of total U.S. personal income and 30% ($392 billion) of the nation's retail sales.
- In 1969, manufacturing accounted for more than one-third of all jobs in the region, while employment in service industries totalled 15.4%. By 1984, manufacturing's share had dropped to 23.1% and services jumped to an almost equal 22.8%.
- During this same 15-year span (1969–84), employment in manufacturing industries fell by 2.1 million, but the region still produces 42% of the total value of all durable goods manufactured in the U.S.
- The Great Lakes region is also a leader in the area of higher education, chalking up 35.2% of all bachelor's degrees, 36.4% of all graduate degrees, and 37.4% of all doctorates awarded in the U.S.
- Unemployment rates for the region, which peaked at 11.2% in 1982, have now fallen to just below 8%, and in spite of the aforementioned losses in manufacturing employment, overall employment in the region actually rose between 1979–82, due in large part to gains in service-related industries.

The only area that hasn't experienced a complete turnaround in the last five years is that of metro population, although respectable increases in places like Minneapolis-St. Paul (+5.96%), Indianapolis (+3.17%), and Allentown-Bethlehem, PA (+2.62%)—in addition to marginal gains in Detroit, Chicago, Milwaukee, Erie, PA, Racine, WI, and Canton, OH—show that the region is indeed on the road to recovery. The steel belt of Pennsylvania and Ohio, on the other hand, is still showing some losses as a result of massive layoffs and shutdowns that almost made ghost towns of metros like Youngstown and Steubenville, OH, Gary, IN, and even Pittsburgh and Cleveland, to a certain extent.

As a whole, however, the region looks to be adapting fairly well to the shift away from heavy industry into services, and in another five years, we may well look back on this period as the turning point in the Rustbelt's battle to once again become the nation's economic hub.

By Richard Kern,
Editorial Director, S&MM Surveys

As seen by the Survey

The Industrial Heartland: Still beating

State	Total Population (Thous.) 1975	1985	Growth Rate 1975–85
Illinois	11,160.8	11,640.4	4.29%
Indiana	5,334.9	5,585.8	4.70
Michigan	9,163.1	9,211.9	0.53
Minnesota	3,973.5	4,224.3	6.31
Ohio	10,765.0	10,836.0	0.66
Pennsylvania	11,842.0	12,012.0	1.44
Wisconsin	4,647.6	4,818.0	3.66
U.S. Total	214,547.9	240,833.5	12.25%

Sources: Sales and Marketing Management's 1978 and 1986 Survey of Buying Power.
*Sales and Marketing Management.

Ralston Purina will see the light with its acquisition of Eveready.

Battery power

Two energetic moves

The battery business is high-charged these days. Kraft management decided recently to hold onto Duracell, while another consumer products giant, Raltson Purina, moved to buy the Eveready brand. Will the two brands, which represent more than 90% of the market, get into a marketing slugfest?

That scenario is not likely, note industry analysts. "What Ralston Purina will do with Eveready is similar to how it handled the acquisition of Continental Banking," says John C. Bierbusse, consumer product analyst with Chicago's Duff & Phelps. Rather than go after another point in market share, Bierbusse says, St. Louis-based Ralston Purina will move to improve profitability, possibly by some good old-fashioned consolidation and cost-cutting.

"This acquisition brings diversity to our business mix by adding another preeminent consumer franchise," says William Stiritz, chairman and CEO of Ralston Purina. The company bought Eveready, which also carries the Energizer brand and has sales in excess of $1 billion, from Union Carbide in April for $1.4 billion in cash.

Meanwhile, the Dart & Kraft breakup gives Kraft the food businesses along with what was considered the best nonfood performer, Duracell. The spinoff company, which has not been named yet, retains the other nonfood companies, including Tupperware, Hobart, and West Bend.

Kraft, which is based in Glenview, IL, with $8 billion in sales, and Dart, which is based in Northbrook, IL, with $2 billion in sales, announced the divorce in June. The companies merged in 1980.

"Keeping Duracell with Kraft signals a real commitment to that business," says Bierbusse. "Duracell, which represents about 10 percent of Kraft's earnings, can use some of the excess funds that Kraft foods will generate because it is a business that requires an infusion of cash from time to time to invest in technology." Despite any required investments, the Duracell brand also represents good growth for Kraft from a unit volume basis. "Duracell can grow 10 percent annually," says Bierbusse. That's several times over what the food business can do.

Computers in industry

Do-it-yourself publishing to zoom

Desktop publishing, which enables sales executives to produce their own sales literature (brochures, catalogues, price sheets, product manuals, flyers), has become a hot topic because of falling prices of laser printers that deliver high quality

Sales force highlight

Selling still a man's world—dollarwise

Women in sales earn 68% more than their sisters in all occupations—$14,575 vs. $8,675—but 43% less than their male peers ($25,518) in the selling profession, according to the Census Bureau's latest annual report on personal income for 1984. Included among the report's 39 detailed tables is an occupational breakdown for "sales representatives, commodities, except retail," which applies mostly to the manufacturing and wholesaling industries. The gap between the sexes narrowed slightly to 38% among those who worked year-round, full-time in a sales job—with a median income of $16,907 for the women vs. $27,139 for the men. The spread is expected to shrink as women build experience in sales and are awarded better territory and account assignments.

A long way to go baby

	Salesmen		Saleswomen	
	All Workers	Year-round, Full-time	All Workers	Year-round Full-time
Total	1,224,000	1,036,000	270,000	171,000
Median Income	$25,518	$27,139	$14,575	$16,907
Income Group		% Breakdown		
Less than $10,000	12.0%	3.6%	28.9%	7.6%
$10,000–$19,999	22.5	22.7	40.0	53.2
$20,000–$29,999	29.8	33.2	21.5	27.5
$30,000–$49,999	25.1	28.6	8.1	10.5
$50,000 and more	10.7	12.0	1.5	1.2

Source: Census Bureau, *Money Income of Households, Families, and Persons in the U.S.: 1984*; Series P-60, No. 151.
*Sales and Marketing Management.

graphics for PCs. C. A. Pesko Associates, a Marshfield, MA, research firm that tracks computer publishing systems, estimates that what it calls the office/local category will explode by 1,683% in the 1985–90 period, increasing its share of the total computer publishing market from 10.9% to 23.1%. "Improved ease of use, pent-up demand, and a better understanding of the economic benefits will contribute to the remarkable growth," says Arlene F. Karsh, director of computer publishing systems market requirements service.

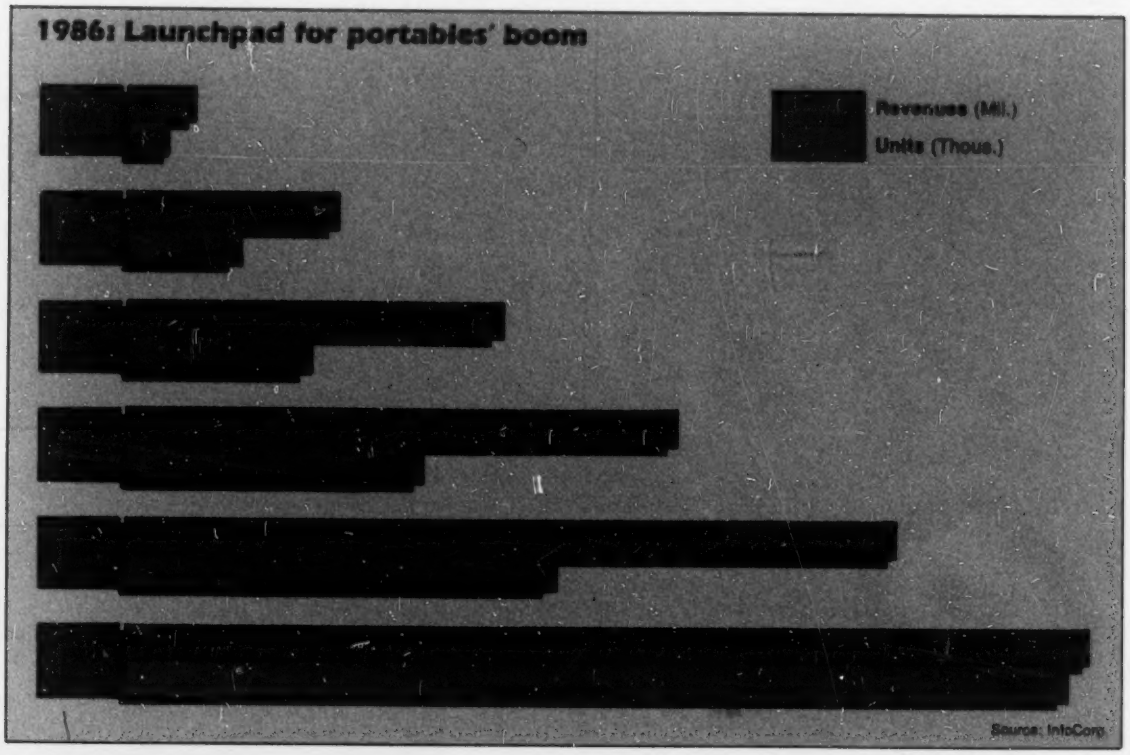
Apple Computer, with its Macintosh PC/Laserwriter printer combination, has targeted desktop publishing as a niche that will give it a foothold in the office market it has failed to crack up to now. The Mac's superior graphics have made Apple the leader in what is a fragmented market. As was the case with the laptop PC, rumors abound that IBM, belatedly recognizing the market's potential and anxious to curb Apple's momentum, is readying a new graphics-oriented PC and a laser printer. One industry newsletter, International Resource Development's *Electronic Mail & Micro Systems*, not waiting for Big Blue to make its move, declares "IBM has already won the desktop publishing battle without even having a product. There are too many [IBM] PCs and compatibles on desktops already [Editor's note: At least 5 million, observers estimate.] By adding a 2 MB extender board, these PCs can gain the ability to handle desktop publishing."

Sales force development

Portables hit their stride

Following years of false starts (S&MM, March 1985), portable laptop computers are taking off. "Portables are now the hottest single product in the industry," said Andrew Czernek, marketing director, Zenith Data Systems during his visit to July's PC Expo in New York City. Agreeing, Grid Systems' marketing vice president Alan B. Lefkof reveals that major contracts with corporations outfitting their sales forces with laptops lifted Grid's sales 70% to $55 million for the fiscal year ended June 30. Sharon D. Cuppett Quadram's product manager, notes that sales rocketed after her company added a 20MB hard disk to its Datavue 25.

While Lefkof and Czernek disagree over whether IBM's entrance in April catalyzed the market, they do agree that corporations investing in sales force automation have triggered their products'. "While some corporations held off until IBM brought out its Convertible," says Czernek, "a greater number, aware of the dollars that could be saved and the benefits gained from speed-



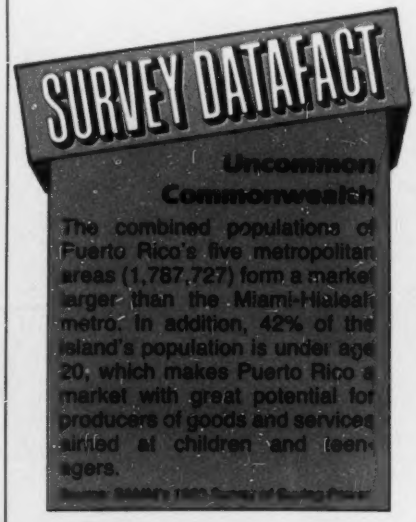
ing up the order process, felt they couldn't afford to wait."

Taking off

"IBM's move had the effect of releasing a lot of orders," says Lefkof. "A lot of potential users waited so they could compare IBM's product with ours. When it appeared that IBM's product was designed for in-home use as an adjunct to office use, our product looked much better for use in the field." He ticks off several major companies among Grid's clients: Chrysler, GM, Levi Strauss, PacBell, and Merck.

IBM's move is expected to force several other major computer firms to enter the market in the near future, heading off a repeat of the quick dominance IBM achieved in the PC market. Among them: Wang, AT&T, and Olivetti, along with several other marketers of IBM-compatible desktops.

Among the features setting a fire to laptop sales are improved screens, increased memory, faster speeds, special features, greater availability of software written for the smaller machines, and the likelihood that the 3.5-inch disk IBM introduced with its Convertible will become the industry standard.


SURVEY DATAFACT
Uncommon Commonwealth
The combined populations of Puerto Rico's five metropolitan areas (1,787,727) form a market larger than the Miami-Hialeah metro. In addition, 42% of the island's population is under age 20, which makes Puerto Rico a market with great potential for producers of goods and services aimed at children and teenagers.

S&MM Predicts

Will hypermarkets get "big" again? The giant stores' penetration of U.S. food retailing, which began in the 1970s, has stalled recently, but that may change, thanks to a push by European hypermarket chains to do business in this country. France's Euromarche joined with a Minneapolis food retailer to open a "superstore" in that city, and Carrefour, also based in France, is scouting the East Coast.

The overnight success of the Yugo, a $3,999 subcompact auto (S&MM, Nov., 1985), will soon attract some competitors. Put your money on Ford as the first to bring out a similar car. It's rumored that Ford will enter into a joint venture with a South Korean auto manufacturer to make such cars there for eventual sale in the U.S.

Manufacturers' agents will increase their use of part-time employees. Reasons include the need to keep runaway costs under control and their desire to free salespeople from some of the more mundane tasks of selling, such as filling out and filing mounds of paperwork.

Hiring Hollywood stars at discount rates for direct mail campaigns is now a possibility, if a test by the *Low-Priced Newsletter* (a publication that covers penny stocks) succeeds. It got actor Glenn Ford to lend his name to a recent 100,000-piece mailing, paying him a "measly" $15,000. The deal solves the direct mailers' dilemma of wanting to use celebrities—who usually charge prohibitive fees—but having to conduct small-scale tests before going national with a campaign.

U.S. Steel . . . oops, USX . . . is about to be sued by a two-year-old telephone retail company that claims it got there first. The company, USX Telecenters, Sunnyvale, CA, contends, among other things, that mass confusion will result from U.S. Steel's name change. But then, there's already a lot of confusion these days about who's who in marketing. Last year alone, 1,041 companies decided to change their names.

Sigue Sigue Sputnik, a British rock band, hasn't made much of a dent in record sales, but it may set advertisers on their ears here. In England, the band is selling the gaps between songs on its new album, *Flaunt It*, as advertising space to magazines and consumer goods marketers. U.S. advertisers may soon borrow the idea.

Look for the nation's airlines to continue their discount fares, but they'll add even more restrictions on their use. Two of the likeliest: No cancellations and no postponements. Discount king, People Express, has already applied restrictions to some of its flights in an effort to bring rising costs under control.

Chrysler will delay introducing optional air bags in its production models. Industry observers have predicted that bags will appear in 1987 Daytonas and Lasers, but others say a more realistic date is 1989. Chrysler chairman Lee Iacocca considers the bags an "expensive supplemental system" to the harness and belt system now widely used.

Finding the best sales compensation plan

A new survey reveals weaknesses in the system and indicates, by plan and industry, what's good, bad, and ugly.

By LESLEY BARNES

Ajax company's two regional managers are discussing the awarding of this year's bonus with their vice president of sales. "Johnson's record shows the largest total sales, exceeding all other reps by 10 percent," says one manager. "Yes, but Roberts has sold to more new customers, and he's responsible for most of the selling of our new product," says the other. Their superior interjects, "The compensation plan we use—and our marketing department researched this within the industry—awards the entire bonus amount to the highest seller. Therefore, Johnson gets it."

That's one way of course, but there are others. Even with all the preliminary spadework that is involved in the creation of a sales compensation plan, the search for perfection may prove difficult. The 1986 Sales Compensation Survey by the New York City office of A.S. Hansen, a Deerfield, IL, consulting firm, shows that once a basic plan is selected, management must still be prepared to make midcourse adjustments and to address certain critical issues. An example of the latter: whether or not to put a cap on incentive earnings.

The study, which was headed by compensation consultant Suzanne Minken, offers insight into the complex field of sales compensation, and was conducted, says Minken, because of the "gap in the marketplace with respect to plan design features for compensation." With inflation down, there's now a greater opportunity for companies to better assign compensation dollars to worthy sales performances.

Hansen has examined a variety of topics, all of which relate to each of four basic plan options—salary plus bonus, salary plus commission, salary only, and commission only— as well as to the major industries represented. For example, 85 companies, representing 21 industries, responded to the Hansen survey, with Food and Beverages, Forest Products, and Telecommunications leading in respondent representation. The study covers a wide range of companies: from those with sales volumes of less than $100 million to more than $1.5 billion; those with less than 500 employees to more than 3,500; and sales staffs of less than 50 to those with more than 850.

The 1986 Survey explores the four options. Each, according to the Survey, is generating problems common to all 85 responding companies. Among the concerns and potential difficulties noted: equitable targets, performance tracking, the transfer of accounts and reps, sales force motivation, and the coordination of corporate/division goals. Plan revisions are made annually in almost half of the surveyed companies, and the plan is available in written form at most of the participating firms.

Thirty-nine of the responding companies use a salary plus bonus

Use of incentive caps by industry

Industry*	Prevalence of caps
Food and Beverages	61.7%
Soaps, Cosmetics, Consumer Packaged Goods	53.3
Pharmaceuticals	66.7
Telecommunications	42.0
Forest Products	40.0
Publishing	20.0
Office Equipment/Computers	20.0

*The industries mentioned here are those represented by five or more responding companies.
Source throughout: 1986 Sales Compensation Survey (A.S. Hansen).

plan, with the Food and Beverages industry demonstrating the highest representation (30.8%). The median sales volume among surveyed companies choosing a salary plus bonus structure is $370 million, with a median sales force of 100 employees.

A salary plus commission plan is utilized by 39 of the Survey participants, with Telecommunications taking the lead (12.8%). Following close behind are the Office Equipment/Computers and Forest Product industries, each with 10.2% of the total. The median sales volume for these salary plus commission companies—their median sales staff is made up of 71 people—is $145 million.

Only three of the 85 responding companies use a commission only plan; these companies represent only the Apparel and Forest Products industries. Sales volume ranges from less than $10 million to more than $750 million, with sales staffs ranging from 25 to 150 employees.

Four respondents use the salary only option, and represent Forest Products, Chemicals, Services, and Office Equipment/Computers industries. The median sales volume for these companies is $1.7 billion, with a median sales staff of 320.

Minken believes that these results, along with the balance of the Survey, dramatically indicate serious problems with compensation strategies today. Consider, for example, the statistics concerning new vs. existing customers: Almost 73% of the companies surveyed do not use an incentive plan that distinguishes between these two types of selling.

Survey findings "belie the vaunted American reputation for the application of highly sophisticated sales and marketing techniques," Minken says. She backs this with evidence from the Survey respondents themselves; more than 50% expressed difficulty on the part of marketing management to set "equitable and realistic sales goals in relation to corporate strategies."

Here are some additional aspects of compensation programs, as highlighted in the Survey.

Targets/quotas

A great majority of the companies surveyed use targets, or quotas, in their compensation plans. Obviously, salary plus bonus and salary plus commission companies make up most of this percentage, with annual targets their most popular choice. Just about half of the companies that use targets/quotas provide for "adjustment during the performance period under certain circumstances." Participants defined such general circumstances as a change in territory, alteration of the product line, a change in marketing strategies, and any kind of change in "external circumstances" beyond the salesperson's control.

Approximately half of the respondents increase their incentive formula when a salesperson achieves target/quota. Another 40% of the surveyed organizations have a fixed rate for the incentive. Interestingly, two respondents reported that their incentive formula is decreased once target/quota is achieved.

Some companies allow for incentive rewards below the 100% level, depending on the relative difficulty of full achievement. The most common level for first incentive payment, reported by 15.4% of the companies, is 90% of target/quota.

Incentive caps

The survey companies split in terms of whether or not to apply incentive caps. Companies with salary plus bonus plans utilize caps more often than salary plus commission and commission only companies. As a result of the Hansen study, Minken considers the use of caps to be a restrictive measure in many cases. Putting a limit on possible compensation prevents salespeople from receiving deserved rewards for outstanding performance.

Salary plus commission companies are more fortunate than those using a salary plus bonus approach in this respect. Approximately two out of three salary plus bonus companies have a compensation limit, while only one of three salary plus commission companies utilizes incentive caps.

Total cash compensation

Total cash compensation (salary plus incentive) of sales reps for 1985 was reported by survey partic-

ipants at three levels: minimum, average, and maximum. The general total, for all 85 companies, ranges from $13,000 to $232,000, though the two extremes come from commission only companies. The average cash compensation figures for salary plus bonus companies range from a minimum of $25,300 to a maximum of $53,200. For salary plus commission companies, $26,000 is the average minimum and $77,500 is the average maximum, while $18,000 to $99,800 is the minimum to maximum range for commission only companies, and salary only companies' average pay runs from $25,275 to $63,998.

Team vs. individual sales

Individuals, rather than teams, make sales in more than two-thirds of the companies surveyed. Salary plus bonus companies make up most of the one-third that does sell in teams, the rationale being that bonuses are flexible and easily distributed among a group. One-third of the companies using team sales have developed a split credit system—which can take two forms—for the doling out of bonuses. Either the bonus is divided equally among salespeople, or the sales manager makes the distribution decision according to individual performance.

Just over one-third of the 85 companies surveyed offer group as well as individual incentives. This tactic is prevalent mostly in salary plus bonus and salary plus commission companies; the result is that the importance of the individual in the selling process may be lessened.

Hansen's Survey offers three concluding observations about industries and sales compensation plans that are "intended to reflect emerging broad trends." First, there are incentive caps. This limit is utilized by a majority percentage of the Pharmaceuticals, Food and Beverages, and Soap, Cosmetics, Consumer Packaged Goods companies. These three industries, and only these three, have average maximum total compensation cash figures lower than the overall survey average of $66,502.

The industries with maximum total cash figures above the survey average—Office Equipment/Computers, Telecommunications, Forest Products, and Publishing—show significantly less use of caps. Thus, Hansen concludes, the "ability of a company to provide high incentive compensation to its sales reps may be restricted if caps are used."

Second, the specific sales compensation approach is directly related to the discussion of caps. The lower-paying industries are not only the greatest users of incentive caps, they are also the greatest users of the salary plus bonus approach. There is an important implication in the correlation of these points.

Third, the Survey results point to a conclusion about the use of targets/quotas. Frequent goal setting and goal adjustment "may impact the sales rep's motivation to generate increased sales." Predictably, the industries that allow for the most flexibility with the use of annual targets are the ones that pay the most: Office Equipment/Computers, Telecommunications, and Forest Products.

Hansen's Survey provides a benchmark, notes Minken; it is a way to let companies know what's going on in the marketplace of sales compensation. However quantitative the study may be, Minken adds an essential caution: One cannot gauge the merits and/or the faults of the plan structures on the Survey alone. But companies can now see what's going on in their industry and elsewhere in the corporate world. "The Survey provides an excellent database for this." S&MM

Executive compensation survey coming in 1987

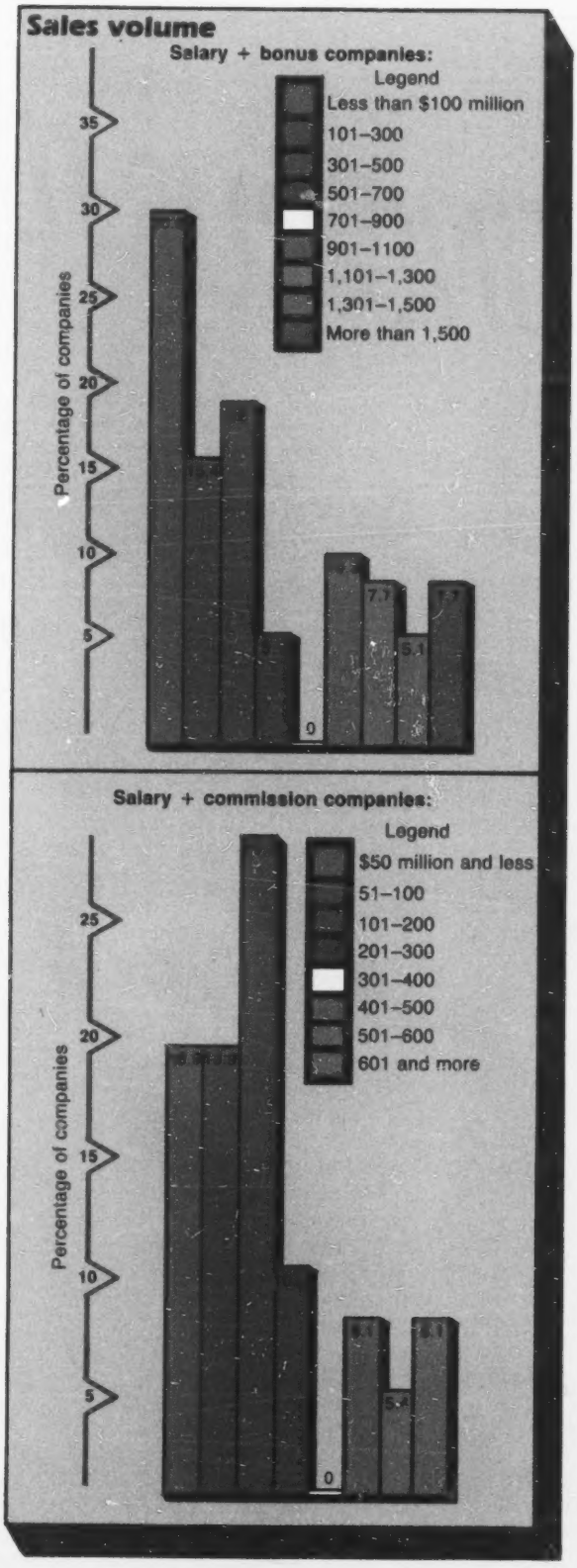
S&MM's annual survey of executive compensation, which usually runs in this issue, is being revised and will reappear in mid-1987. The new version will identify those industries paying the most for top sales and marketing talent and those paying the least.

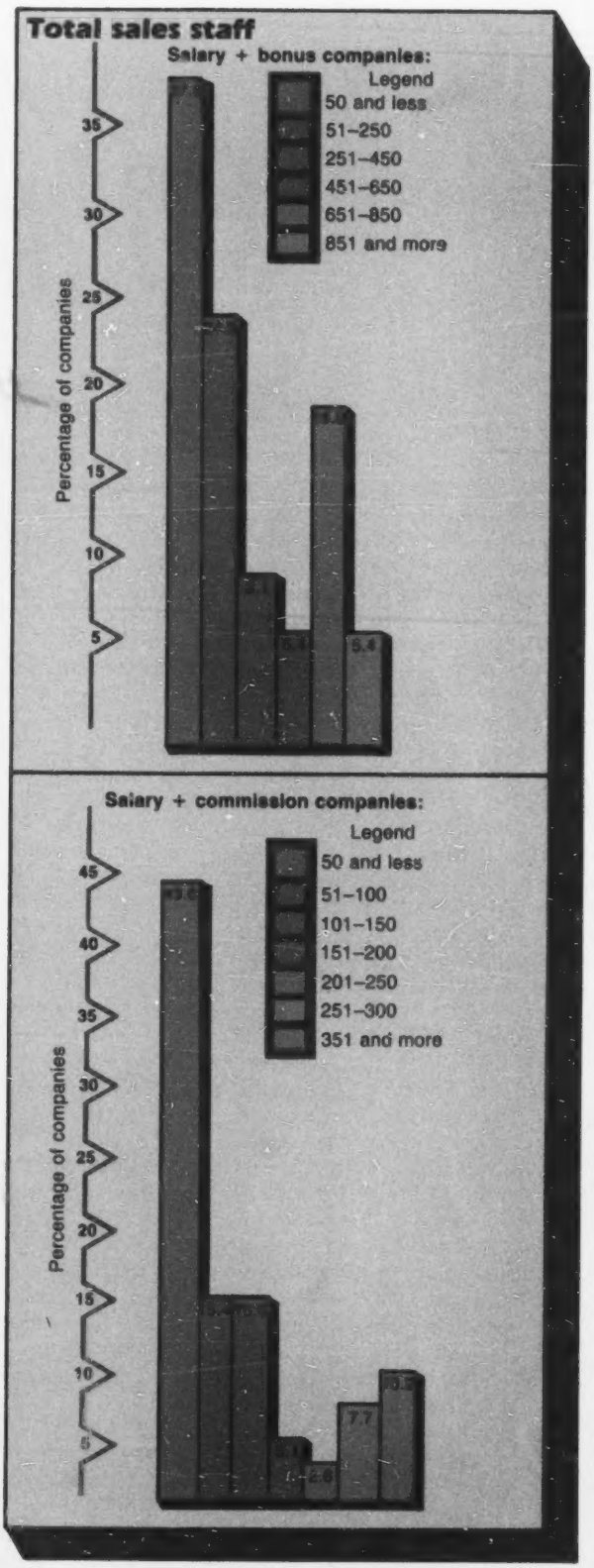
Some companies participating in the Hansen Survey

Analogic
Bausch & Lomb
CertainTeed
Codex
Colgate-Palmolive
Comp-U-Card International
Computervision
Digital Equipment
Dynamit Nobel of America
Foster Grant
Gaines Foods
Hershey Chocolate
International Paper
Lever Brothers Company
MCI Communications
Microdot
Nestle Foods
Rogers
Smith Kline & French Laboratories
Southern New England Telephone

Participation by industry group

Industry Group	Participation Number	Percent
Aerospace	1	1.2%
Apparel Mfg.	1	1.2
Chemicals	4	4.7
Electronics	4	4.7
Food and Beverages	12	14.1
Forest Products	9	10.6
Glass, Building Materials	4	4.7
Industrial Farm Equipment	1	1.2
Information Systems	3	3.4
Insurance	1	1.2
Metal Products	2	2.3
Office Equipment/ Computers	5	5.9
Pharmaceuticals	6	7.1
Publishing	5	5.9
Retailing	1	1.2
Rubber and Plastic Products	1	1.2
Services	4	4.7
Soaps, Cosmetics, Consumer Packaged Goods	6	7.1
Telecommunications	7	8.2
Textiles	2	2.3
Other	6	7.1
Total	**85**	**100.0%**


Sales volume
Salary + bonus companies:
Legend
Less than $100 million
101–300
301–500
501–700
701–900
901–1100
1,101–1,300
1,301–1,500
More than 1,500
Percentage of companies
35
30
25
20
15
10
5
0
7.7
5.1
Salary + commission companies:
Legend
$50 million and less
51–100
101–200
201–300
301–400
401–500
501–600
601 and more
Percentage of companies
25
20
15
10
5
0
5.4


Total sales staff
Salary + bonus companies:
Legend
50 and less
51–250
251–450
451–650
651–850
851 and more
Percentage of companies
35
30
25
20
15
10
5
5.4
Salary + commission companies:
Legend
50 and less
51–100
101–150
151–200
201–250
251–300
351 and more
Percentage of companies
45
40
35
30
25
20
15
10
5
7.7

Marketers and the PC: Steady as she goes

A new Conference Board report, *Computers and the Sales Effort*, reveals how marketers are enhancing selling effectiveness with computerized sales support systems. However, it's still basically a case of planning for tomorrow.

By THAYER C. TAYLOR
Senior Editor/Management Sciences

The biggest challenge in the next 10 years will be to master the flow of necessary information the marketing representative needs to sell effectively," an IBM marketing executive predicts.

"We can quickly quote a price on a proposal because we can see what a part sold for in the past, both our own and our competitors', and have a better idea of what price will be needed to get a job," says the marketing vice president of Grede Foundries.

"When you spend between $50,000 and $75,000 to train and put a new salesperson into a territory," a Honeywell Information Systems sales executive reasons, "a $2.5 million investment doesn't seem like much, especially when you consider that in our first year of using a computerized sales-support system we cut turnover by 40 percent. At $75,000 per salesperson, it only takes retaining 32 of them to recover the system's cost."

"Marketing strategies are now formulated more easily and confidently due to next-day availability of sales results from new product introductions," says an S. B. Thomas sales executive.

The above remarks touch on some of the diverse needs—and potential benefits—driving marketers to enhance the sales process through computerization. As a new Conference Board (CB) report, *Computers and the Sales Effort*, says, "Computers are not new to marketing. For years, they helped in managing orders, shipments, and inventories, and storing customer records." However, "voluminous computer printouts showed both too much and too little information directly related to the sales personnel's jobs."

The personal computer (PC)—desktop and laptop—is changing all that, putting computer power directly in the hands of salespeople, and freeing sales executives from the whims of MIS (managament information systems) departments that, traditionally, give sales departments low priority. Helping their cause is PC software specifically oriented to sales and marketing applications, and telecommunications advances that whisk information between branch office and headquarters fas-

TABLE 1

Current status of computer in sales

Application	Operational System	Pilot Mode	Planning Phase	No Plans
Order entry	29%	22%	29%	20%
Check order status	27	22	35	16
Check inventory	23	17	32	28
Prepare forecasts	21	18	37	24
Planning and scheduling	20	10	34	36
Territory management	18	6	50	26
Account management	18	6	41	35
Reporting expenses	15	9	30	46
Reporting sales calls	11	8	35	46
Analyze customer requirements	11	6	36	47
Prepare bids or proposals	10	9	27	54
Managing sales leads	10	2	36	52
Computer-based training	8	6	26	60
Personal Applications				
Word processing	23%	25%	25%	27%
Spread sheet	18	16	20	46
Database management	18	15	26	41
Electronic mail	16	12	43	29

Note: Details may not add to 100% due to rounding. Source: Conference Board, *Computers and the Sales Effort*. ©Sales and Marketing Management.

ter and cheaper than voice messages.

As a result, the CB report notes, "The emphasis has shifted from using the computer to do a variety of jobs, one of which *might* benefit the sales organization, to that of using the computer to reinforce and optimize the sales process itself. The flow of information is as important as the flow of products in some markets; and, in most, the traditional interface between buyer and seller is changing rapidly."

Significantly, CB's report underscores the foothold PCs have gained in sales departments and the long road marketers must still travel before they tap the full potential of computerization. More than one in five of the 160 respondents to CB's survey (out of 700 companies polled) use their PCs for such bread-and-butter applications as order entry, checking order status and inventory, and preparing forecasts. Only one in 10 is pioneering new territory by putting lead management or sales calls on PCs.

Even so, there are healthy signs that PCs will become familiar sales fixtures in coming years. Half the respondents are planning to use PCs in territory management, another two out of five for account management, while more than a third are studying computerization of sales calls and sales lead management.

Recent growth

Considering that the PC burst on the scene six years ago, Lou Wallis, senior research associate at the Conference Board and author of the report, admits, "When I started the project I felt there'd be a higher percentage of operational systems in place. What we found is that even among the larger corporations, marketing people are taking a very conservative approach. Costs don't seem to be the issue, even though they can be considerable if you outfit all your salespeople with computers."

Other observers point out that it's only been two years since a new breed of software developers appeared, writing programs for the specific needs of sales departments. Resistance from *within* sales departments is also cited: both by salespeople who fear that mastering the keyboard will drain time from selling, and sales managers who view the PC as a threat to their intuitive judgment.

Still, those who have taken the PC plunge feel they're on the right track. Respondents told CB: "Computer-base sales-support systems bring greater efficiency and effectiveness not only to discrete sales applications (such as order entry), but help in other ways—for example, by accomplishing a sale in a completely different way (computer-to-computer ordering); by greatly expanding telemarketing capabilities; and by allowing customers or resellers access to supplier companies' databases. Variable blocks of additional time for direct selling are created by changing the responsibilities of field personnel.

"Some companies with support systems report increases of 5 percent to 10 percent in a salesperson's selling time because of less travel and paperwork, better call planning, and more effective calls. At National Life Insurance, accumulating evidence suggests that agents' sales gains of as much as 50% may be attributable to their access to support systems that enable them to sell more effectively and see more clients per year."

While improving selling effectiveness is an overriding goal, marketers march to different drummers in achieving it, reflecting their own priorities. For example, as described in CB's report, here's how some companies use computers to enhance four aspects of sales calls: prospecting, call planning, making calls, and call reporting.

Prospecting To reduce the time its insurance agents spend scouting for new clients, Travelers "offers them the MAP (Market Analysis Program) system to help them locate key customer groups and develop strategies to reach them. The program systematically analyzes selected areas in terms of prospect characteristics, counties, Zip Codes, and the like."

Call planning Ciba-Geigy with 800 salespeople, "obtains data

TABLE 2

Payback periods on computer support systems

Payback period	Percent of 45 companies reporting
Less than 6 months	4%
Between 6 and 12 months	9
Between 12 and 18 months	16
Between 18 and 24 months	16
More than 24 months	31
No answer	24

Source: Conference Board, *Computers and the Sales Effort.*

about physicians from the American Medical Assn. and from survey results supplied by a research company." However, sales reps, "rather than rely on the 'canned' format in which they received the information, wanted to organize it in ways that made sense to them." Giving them laptop portables "made it advantageous for each rep to have the information at his or her disposal, susceptible to personal manipulation and control. Some now plan their efforts for a week, others for a month, and, occasionally, for an entire year."

Making calls The 200 driver-sales reps at S.B. Thomas hardly make a move without their portable data terminals. A computer-generated routing guides them on the most efficient call pattern for the day's stores. In the store, the portable calculates the correct stocking level item by item, based on shelf inventory and returned goods. The system won the reps' "enthusiastic approval because it greatly reduced the drudgery of daily calculations and the need for them to spend time searching for 'ten-cent' errors."

At the end of each day, the rep places the terminal in a rack that transmits the data for the day's activities to a central mainframe. Thus, each morning, management has up to the minute sales results for each rep, product, district, and store.

Call reporting Weekly, Honeywell Information Systems' (HIS) more than 500 salespersons and account managers input an activity report that "describes efforts on specific campaigns and the nature of sales calls made (type, time, date, and whether face-to-face or other) into an online database. The report also describes their planned events, campaign dispositions, and how the individual spent his or her time other than in direct selling."

The call report module, one of several in HIS's Focus 7 sales support system, forms the basis for weekly reviews by sales managers with their personnel, as well as tactical planning of action to be taken on major accounts. An HIS executive cites Focus 7 as an example of using computers to bring "structure and discipline to the field force—based not on just a narrow concept of working harder, but on the idea of working smarter and keeping all details in view."

Using support systems to free up more selling time is a high priority, many companies told CB. IBM's replacing paper with electronics, and Digital Equipment Corp.'s (DEC), giving customers an alternative means for placing orders, represent two tacks marketers take to achieve this end.

"A fundamental objective of IBM's sales system," CB's report states, "is to give marketing representatives greater mastery over vast amounts of information." Sales manuals, product announcements, prices, contract terms, competitive information, and the like are now stored in databases, which reps can easily access on a need-to-know basis.

A current experimental program, Info Alert, takes the idea a step further, putting PCs with high-resolution graphics and a videotex format so that information can be packaged more attractively in homes of 50 account managers. Also included: a calendar and other personal management tools. IBM's goal: cut down on the 20%–25% of the marketing rep's time that it estimates is siphoned off by nonselling, administrative tasks.

'THE EMPHASIS HAS SHIFTED . . . THE FLOW OF INFORMATION IS AS IMPORTANT AS THE FLOW OF PRODUCTS . . .'

—Computers and the Sales Effort

Keeping options open

Alternative ways of reaching and selling to the customer are part of one DEC program aimed at "upgrading sales responsiveness and yet conserving the salesperson's time." This is achieved by the Electronic Store, which enables customers using a terminal to order software, supplies, and low-level peripherals. "When a user logs on," the report claims, "different levels of access are available to the novice and the experienced user. Although customers proved willing to buy software via the Store, they wanted product demonstrations—something the Store now offers."

While marketers pursue such alternatives for getting orders, their plans don't include an alternative for personal sales personnel. "Nearly two-thirds of the respondents estimate that the number of sales personnel will remain unaffected in the future because of system use," says CB's Lou Wallis. "Thirteen percent believe the number would increase, and only four percent expect a reduction. The rest didn't know." S&MM

TABLE 3

Favorable effects of computer support systems

Favorable Effect On:	Percent of 45 companies reporting
Information to the field	80%
Individual time and territory management	58
Order to shipment time	56
Sales volume per salesperson	51
Length of sales cycle	36
Calls per salesperson	36
Control of sales expenses	31
Sales call reporting	31
Bid or proposal preparation	29
Orders to calls ratio	18
Sales training	18

Note: Multiple responses.
Source: Conference Board, *Computer and the Sales Effort.*
Note: Although the time periods overlap, this is as they appeared in CB's questionnaire.

Making long-term sales cycles manageable

Selling complex, big-ticket products whose selling cycles are measured in years instead of months poses difficult tracking problems for salespeople. The Dallas division of Haworth, an office furniture marketer, solves the problem, says division manager Robert Theodore, with PC-based software that "helps the salesperson create objectives for each account, then tracks the activities and timing for accomplishing the goals." The Account Executive system (formerly called Trax) was developed by Software Design, Arlington, TX, and has been so well-accepted at Haworth that three of Theodore's nine salespeople bought PCs on their own so they could update their records daily at home.

Haworth's Robert Theodore with his problem-solving PC-based software.

"A sales cycle with a major account can stretch over as many as four years," Theodore explains, "which means breaking it down into a series of objectives. It's hard for the sales representative to remember the goal sequence and what must be done to accomplish each one, not to mention recalling the different people he talked to. Account Executive simplifies this for the rep, down to what and when the next objective is and the activities needed to achieve it."

Implemented in February, Account Executive was the reps' first exposure to computers. The introductory training course, which took half a day, was enhanced by hooking a projection TV screen to a Compaq DeskPro, enabling all of the reps to view the results as each went through a hands-on exercise. One rep became so enthused, Theodore recalls, that "the next day he put all of his 200 accounts on the system."

To ease the reps into the age of automation, Theodore requires

COMPUTER HIGHLIGHT

PCs take hold in sales department

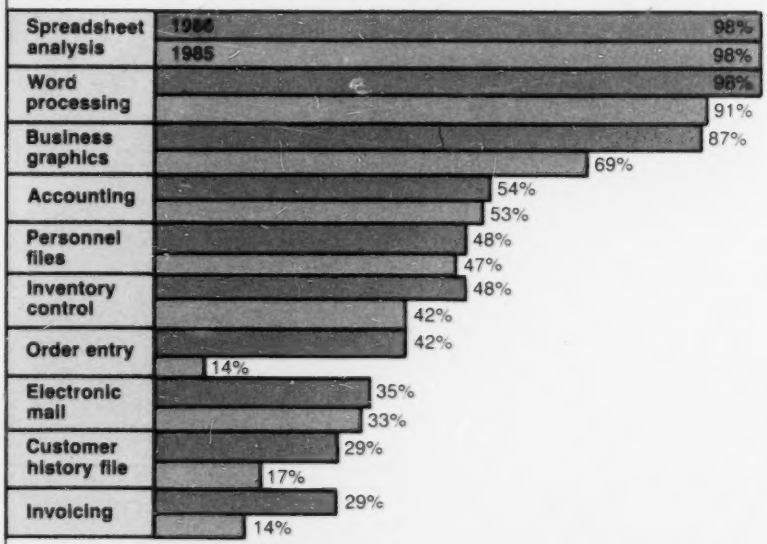
Computer support for district sales offices of Fortune 1000 corporations is picking up this year. At least that's one implication of Newton-Evans Research's annual study, *Microcomputer Usage Trends in Fortune 1000 Corporations*. Better than two out of five major companies currently use PCs for order entry vs. only 14% last year.

President Charles Newton ascribes the sharp jump to "switching the order entry function from central mainframes to PCs in district offices to speed up the cycle." He thinks it is too early to say if this indicates that salespeople are feeding orders in directly from customer sites with the use of laptops.

The study shows a dramatic rise in sales departments using PCs to store invoicing and customer history files. However, with fewer than one-third of major corporations storing customer history files on PCs, they are still far short of using desktops to meet the needs of salespeople.

Business graphics posted the second biggest year-to-year gain, next to order entry. Newton attributes it to "the many graphics software packages that have come into the market during the last 12 months and the growing popularity of desktop publishing."

How Fortune 1000 use PCs



Note: Micros include desktops, transportables, and laptops.
Source: Newton-Evans Research Co., *Microcomputer Usage Trends in Fortune 1000 Companies*.
*Sales and Marketing Management.

The Supreme Court bans a truthful ad

"It's a dark day on Madison Avenue," said David Versfelt, counsel to the American Assn. of Advertising Agencies, following the Supreme Court's decision last month to uphold a prohibition on casino gambling ads in Puerto Rico. Not only was the 5–4 decision a blow to the First Amendment rights of commercial speech, but the majority opinion was written by justice William Rehnquist, President Reagan's nominee to become the new chief justice. What's more, Rehnquist's view of the First Amendment is said to be shared by federal judge Antonin Scalia, his designated replacement.

The case, which tested whether Puerto Rico could bar advertising of casinos to its own citizens, while permitting it for tourists, was the first time the Court has upheld a ban on truthful ads for a legal product. It has immediate applicability to efforts in Congress to prohibit all advertising of tobacco products, and for others eyeing similar treatment for alcoholic beverages. How might the Court treat such moves, should it get the opportunity? Debate on the question was expected to be fuelled at presstime by House hearings on a bill offered by Rep. Mike Synar (D-OK) to ban tobacco ads. The constitutionality of such a move is no longer in question, boasts the lawmaker, who enjoys the support of the American Medical Assn., the American Cancer Society, and others. Meanwhile, another test of the decision could come from R.J. Reynolds Tobacco, which is planning to challenge an FTC complaint on one of its "issue" ads.

But the American Advertising Federation contends that the Court's decision won't be useful in attempts to ban tobacco and alcohol ads. It says that the decision is clear that the government can only ban truthful commercial speech if it meets standards articulated under a previous decision, Central Hudson Gas and Electric Co. vs. Public Service Commission of New York. Among these standards is a requirement that all evidence be considered before truthful ads can be banned, a Herculean task.

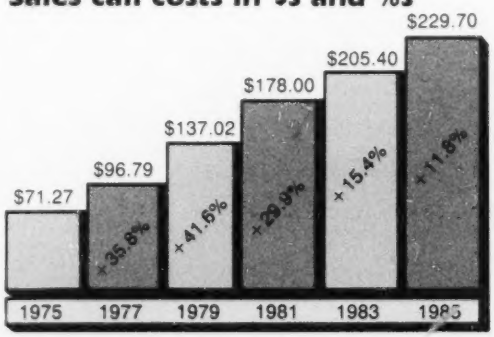
"There is substantial data that bans against advertising for many products do not achieve their intended purpose of reducing product consumption," reminds the AAF. "This is the case with cigarettes and alcoholic beverages."

Cost-per-call: Curiouser and curiouser

Lewis Carroll would have loved writing about selling costs—especially cost-per-sales call. Last month, McGraw-Hill's Laboratory of Advertising Performance reported, as a result of its biennial survey, that the cost of an industrial sales call rose 11.8% in the 1983–85 period to $229.70. Earlier this year, data in Sales and Marketing Management's annual *Survey of Selling Costs*, which covers consumer, industrial, and services marketers, indicated that cost-per-call ballooned 46.6% in the same period, to $131.40. To confuse matters further, Dartnell Corp.'s biennial *Sales Compensation Survey* placed last year's cost-per-call at $57.40, a remarkable 62% below what it previously reported for 1983. Cahners Publications, a fourth source for such information, skipped its annual survey this year, planning to conduct it biennially.

The Bureau of Labor Statistics' monthly consumer price index, which includes data for several selling cost factors, sheds little light on the subject, since price increases for most of the elements lagged McGraw-Hill's 11.9% rate. While the overall CPI rose 8.0% in the 1983–85 period, costs of restaurant meals were up 8.3%, auto rentals 9.5%, entertainment 10.8%, public transportation 11.1%, and hotel rooms 15.4%. Salespeoples' compensation, incidentally, generously outpaced the CPI. According to data in S&MM's *Survey of Selling Costs*, their average compensation climbed 12.2% in the two-year period, to $36,711. Obviously, to paraphrase what used to be said about marketing, cost-per-call has become the "dark continent" in the selling cost picture.

Sales call costs in $s and %s



Source: McGraw-Hill Research, *Cost of an Industrial Sales Call* 6013.8. Sales and Marketing Management.